

ORDER NO. 1398

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Products Prices
Express Mail
Express Mail Padded Flat Rate Envelope

Docket No. CP2012-39

ORDER APPROVING THE USE OF EXPRESS MAIL
PADDED FLAT RATE ENVELOPES AND RELATED PRICES

(Issued July 11, 2012)

I. INTRODUCTION

The Postal Service proposes to establish rate and classification changes to enable the Postal Service to offer a new Express Mail Padded Flat Rate Envelope within the Express Mail product. The changes are scheduled to become effective the first business day after the Commission issues final regulatory approval. For the reasons discussed below, the Commission approves the planned changes, and will reflect the classification changes in the draft Mail Classification Schedule (MCS).

II. THE POSTAL SERVICE'S INITIAL FILING

On June 22, 2012, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for Express Mail.¹

The Notice includes related mail classification changes. The Postal Service represents that, as required by 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and schedule of changed prices and classification language. The Postal Service states that this new offering will comply with 39 U.S.C. § 3633(a) and that it will not affect “the ability of the Express Mail product as a whole to cover its costs and make an appropriate contribution to institutional costs.” Notice at 2.

Attached to the Notice is Governors’ Decision No. 12-1. The Governors indicate that they have evaluated the new price and classification changes in accordance with 39 U.S.C. §§ 3632-33 and 39 CFR 3015.5 and 3015.7. An analysis of the Express Mail Padded Flat Rate Envelope is attached to the Governors’ Decision. Proposed MCS language is also attached to the Notice.

Express Mail Padded Flat Rate Envelope. The Postal Service states that there are currently Regular and Legal Flat Rate Envelopes within the Express Mail product. It notes that there is currently a Padded Flat Rate Envelope option available for Priority Mail, but not for Express Mail. It contends that the Padded Flat Rate Envelope for Priority Mail is a popular option, and that adding a similar Express Mail option will meet the needs of shippers mailing fragile merchandise and needing to expedite such shipments. The Postal Service explains that it will only offer the Padded Flat Rate Envelope option for Express Mail online, but will accept such shipments through all Postal Service channels. Currently, the Postal Service plans on offering the Express Mail Padded Flat Rate Envelope at the same prices available for the Regular and Legal Flat Rate Envelopes, but suggests that pricing may be differentiated in the future.

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for a Competitive Product, Established in Governors’ Decision No. 12-1, June 22, 2012 (Notice).

III. NOTICE AND REQUEST FOR SUPPLEMENTAL INFORMATION

On June 22, 2012, the Commission gave notice of the docket, appointed a Public Representative, and provided the public with an opportunity to comment.² On June 26, 2012, Chairman's Information Request No. 1 was issued.³ CHIR No. 1 sought information on unit cost data to determine whether the proposed Express Mail Padded Flat Rate Envelope met the requirements of section 3633(a). On July 3, 2012, the Postal Service filed its response to CHIR No. 1, providing estimated unit cost data for the proposed Express Mail Padded Flat Rate Envelope.⁴

IV. COMMENTS

Comments were filed by the Public Representative.⁵ No other comments were submitted. The Public Representative concludes that the new Express Mail Padded Flat Rate Envelope should be approved because it gives additional options to the public without causing any financial harm to the Postal Service. PR Comments at 2. She finds no reason to believe that the addition of the Express Mail Padded Flat Rate Envelope will cause the Express Mail product as a whole to not meet the requirements of section 3633(a), and should not have a significant impact on the Express Mail product's cost coverage, which was 166.8 percent in FY 2011. *Id.* at 1-2.

V. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the Response to CHIR No. 1, and the filed comments. The proposed price and classification changes for the Express Mail Padded Flat Rate Envelope are reviewed pursuant to 39 U.S.C. § 3633(a) and

² Order No. 1382, Notice and Order Concerning Express Mail Padded Flat Rate Envelope Prices, June 25, 2012.

³ Chairman's Information Request No. 1, June 26, 2012 (CHIR No. 1).

⁴ Response of the United States Postal Service to Chairman's Information Request No. 1 and Application for Non-Public Treatment, July 3, 2012 (Response to CHIR No. 1).

⁵ Public Representative Comments, July 9, 2012 (PR Comments).

Commission regulations under 39 CFR part 3015. In brief, these statutory and regulatory provisions require each competitive product to cover its attributable costs (39 U.S.C. § 3633(a)(2)), prohibit the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. See 39 U.S.C. § 3633(a)(3).

Based on the information provided and representations made in the Notice, the Commission finds that the proposed price and classification changes for the Express Mail Padded Flat Rate Envelope do not appear to prohibit the Express Mail product from complying with section 3633(a)(2) or competitive products as a whole from complying with sections 3633(a)(1) and 3633(a)(3). The related classification changes will be reflected in the draft MCS.⁶ The Commission notes that it will be able to further review the impact of the Express Mail Padded Flat Rate Envelope on the Express Mail product in future Annual Compliance Determinations.

It is ordered:

The Postal Service's planned price and classification changes for the Express Mail Padded Flat Rate Envelope appear to comply with 39 U.S.C. 3633(a) and 39 CFR 3015.7.

By the Commission.

Shoshana M. Grove
Secretary

⁶ As indicated in previous orders, the language suggested by the Postal Service in its filing is illustrative and subject to change in the MCS that the Commission ultimately adopts.